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C O N F I D E N T I A L SECTION 01 OF 03 DUBLIN 000936

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TAGS: [PREL](#) [EFIN](#) [SOCI](#) [KCRM](#) [EI](#) [NIPP](#)

SUBJECT: UPDATE ON IRA MONEY-LAUNDERING INVESTIGATION

REF: A. STATE 104288

[B](#). DUBLIN 210

[C](#). SOFIA 1108

Classified By: Deputy Chief of Mission Jonathan S. Benton; Reasons 1.4 (B) and (D).

1. (C) Summary: Irish criminal justice officials are convinced that pound sterling notes seized in Dublin and Cork in mid-February in an apparent IRA-tied money-laundering scheme was money stolen from Belfast's Northern Bank. Police are attempting to establish forensic links between the seizures and robbery in order to bring charges by late 2005, with a court case to follow a year later. Irish investigators continue to pursue a possible Bulgarian link to the money-laundering scheme, but are reluctant to provide details on exchanges with Bulgarian counterparts. The Bulgarian Ambassador in Dublin denies any Bulgarian involvement and wishes that Ireland would close off this line of inquiry publicly. Irish officials, more generally, remain concerned that IRA funds acquired through sophisticated investments are seeping into resources available for Sinn Fein's political activities in the Republic of Ireland. Post expects that Irish officials will remain reticent on details of the money-laundering investigation until charges are filed. End summary.

Linking the Bank Robbery and Money Seizures

2. (C) The roughly STG 3 million seized in Dublin and Cork the week of February 14 (ref B) is "beyond doubt" a portion of the STG 26.5 million stolen from Belfast's Northern Bank on December 20, 2004, according to Ken O'Leary and Michael Walsh, Assistant Secretary and Northern Ireland Section Chief, respectively, of the Department of Justice, Equality, and Law Reform (DOJ). O'Leary related to Emboff the GOI's belief that up to 16 individuals questioned by Garda (police) in connection with the seizures were attempting to launder the stolen proceeds on behalf of the Provisional IRA (PIRA). This belief was based on information provided by Garda intelligence assets and by "walk-ins" who, in some instances, voluntarily turned over cash that they had been asked to hide (STG 300,000 in one case). While intelligence pointed clearly to a money-laundering operation, the challenge was to build forensic ties between the money seized and the stolen Northern Bank notes in order to support a court conviction. O'Leary said that Garda, led by the Criminal Assets Bureau, were still attempting to establish forensic links through the tracking system used by the Northern Bank for bank note bundles in its possession at the time of December robbery.

3. (C) If such ties could be established before autumn, the Director of Public Prosecutions (DPP), James Hamilton, would be in a position to bring money-laundering charges by late 2005 against a number of those questioned, said O'Leary. (To date, no one has been charged, except a Don Bullman, who was charged with membership in the IRA, an illegal organization. Bullman was arrested while passing cash hidden in a laundry detergent box to alleged IRA members on February 17, and, technically, his case could go to court independently of the wider money-laundering case.) Once charges are brought, it would likely take a year to begin the court case. O'Leary noted that Hamilton could possibly opt for a special non-jury criminal court consisting of three judges, an option that was sometimes used for cases involving unlawful organizations like the IRA. When Emboff asked who would likely face charges, O'Leary replied that, of those brought in for Garda questioning, no one had been ruled out as beyond suspicion (including, by implication, Phil Flynn, a friend of Prime Minister (Taoiseach) Bertie Ahern and former chairman of the Bank of Scotland (Ireland)). He added that the operative legislation in the case would likely be the Proceeds of Crime Act of 1997, rather than the Criminal Justice Act of 2005, since the latter focused primarily on terrorism.

4. (C) In separate discussions with the Ambassador, DCM, and Emboffs, Assistant Garda Commissioner Joe Egan said that investigations into the money-laundering case could still take several months, as police used DNA and other scientific techniques to pursue a connection to the Northern Bank raid. He commented that the money-laundering operation had been poorly conducted, due most likely to the unexpected size of

the bank haul. Investigators were focused primarily on Ted Cunningham and Tom Hanlon, a one-time Sinn Fein candidate for the Cork County Council, whom Garda believed may have held STG 1.5 million of the stolen bank notes. Hanlon had in turn distributed part of this sum to several republican supporters, including one who was apprehended while burning the cash in his home.

A Bulgarian Connection?

15. (C) A possible Bulgarian connection in the case remains a strong point of interest, according to O'Leary and Walsh of the Irish DOJ. (As noted in Irish media reporting and ref C, Phil Flynn and Ted Cunningham, a Cork-based money lender in whose home Garda found STG 2.3 million, traveled to Sofia in late January to open bank accounts with the purported aim of registering three companies in Bulgaria. The suspicion is that Flynn and Cunningham were creating money-laundering vehicles.) Walsh confirmed that, in February, the Bulgarian Embassy in Dublin arranged for him to meet a visiting Bulgarian security agent, who offered to act as a point of contact for law enforcement exchanges on the case. Walsh said that he was not "fully aware" of whether the Garda had subsequently sent investigators to Bulgaria. (Comment: This claim is not credible, since Walsh would definitely have known of Garda visits documented in ref C.) O'Leary remarked that while there might not yet be firm evidence of wrongdoing in Bulgaria, the line of inquiry into the possible involvement of corrupt Bulgarian individuals/enterprises remained open.

16. (C) Assistant Garda Commissioner Egan said that the Garda continued to pursue a possible Bulgarian connection, based on pre-existing evidence of IRA/Sinn Fein-Bulgarian links. For example, the Garda were aware that IRA members had previously invited Bulgarian investors to Ireland to consider purchasing land for a nursing home. The Bulgarian Government had also kept GOI authorities informed of other Irish attempts to register questionable companies in Bulgaria even before the Flynn/Cunningham visit.

The Bulgarian Ambassador: "No Link"

17. (C) The Bulgarian Ambassador to Ireland, Bisserka Benisheva, told Emboff that that there was no evidence of criminal involvement by Bulgarians in the money-laundering case and that the trip taken by Phil Flynn and Ted Cunningham to Sofia in late January had been a coincidence. Benisheva noted that she had arranged for Irish officials to meet with a Bulgarian security agent in February. She stated, however, that the Irish had not made any formal requests for assistance since, and she denied knowledge of follow-up visits by Irish investigators to Bulgaria, or vice-versa. (Comment: Given ref C, we doubt her veracity on this point, but it is possible that, for deniability purposes, the Ambassador intentionally kept herself out of the loop.) She confirmed that Bulgarian Deputy Finance Minister Ilia Lingorsky had received a courtesy call by Flynn and Cunningham, but only because of their stated interest in the Bulgarian mortgage market, a sector to which Lingorsky has worked to draw foreign investment. She emphasized that the damage to Bulgaria's reputation had been unfair, and she expressed regret that Ireland had not joined Bulgarian Interior Minister Georgi Petkanov in publicly denying a Bulgarian link in the case.

Mixing of IRA and Sinn Fein Funds

18. (C) More generally, the DOJ and Garda continue to be concerned that money illegally acquired by the IRA was "seeping" into resources available for Sinn Fein's political activities in the Republic of Ireland, said the DOJ's O'Leary. The difficulty lay in documenting the mixing of such funds. O'Leary noted that the Standards in Public Office Commission (SIPO) was similarly concerned that political donations obtained by Sinn Fein in the United States and elsewhere overseas were being spent in the South. (Under a 2002 SIPO ruling, Sinn Fein can accept donations from non-Irish citizens in foreign countries, but only for activities outside the Republic of Ireland, i.e., in Northern Ireland.) He noted that the DOJ would be interested to see whether and how the IRA might address criminality in its expected response to Sinn Fein President Gerry Adams' call for an end to republican paramilitarism. O'Leary added that the awaited IRA statement would have no bearing on the money-laundering case or other investigations into possible IRA crimes committed since the 1998 Good Friday Agreement.

19. (C) Assistant Garda Commissioner Egan commented that IRA money was constantly moving, flowing from diversified sources into wide-ranging investments. While the IRA had been proficient in smuggling, robbery, and racketeering since the 1970s, the Celtic Tiger economic boom of the 1990s had

prompted the IRA to diversify into more sophisticated business enterprises. IRA investments now included real estate ventures in Dublin, London, and Spanish resort areas, handled by apparently respectable businessmen. Egan also expressed concern about the commingling of ill-gotten IRA funds with Sinn Fein's political coffers in the Republic of Ireland. The irony, Egan explained, was that Sinn Fein was already raising substantial sums for its political activities in the South through legal avenues. He pointed out, for example, that Sinn Fein conducted at least 60 fund-raisers in the South per week for its electoral war chest.

Comment: GOI Reticence

10. (C) O'Leary, Walsh, and Egan (who retires in August) made clear to Emboffs that the ongoing investigation into the money-laundering case constrained their ability to provide more information, as the lack of detail in their observations bears out. We expect that GOI officials will remain reticent until charges are actually filed, a step that may also be delayed by continuing investigations into the Northern Bank robbery itself. Garda and DOJ representatives are also likely to continue to be quiet in public and in discussions with us regarding funding of Sinn Fein's activities in the Republic of Ireland. As a political force in the South, Sinn Fein has limited reach, but is seen as the most well-organized and best-funded party. Competing parties, including the governing Fianna Fail party, are anxious to ensure that Sinn Fein members/supporters abide by Irish law and are subject to public scrutiny when they do not. Both the Garda (traditionally tough on the republican movement writ large, due to its terrorist connections) and political levels of the government will be careful to avoid the public perception that any legal pursuit of Sinn Fein/IRA-tied personalities in the South is politically connected.
KENNY